



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*Economic, Social and Political Priorities
in Agricultural Policy Formulation
in Industrialized Countries*

I. INTRODUCTION

WHEN the layman hears of agricultural policy he sometimes has the impression of entering a world where the concepts are confused, where the facts are not well known, where the nature of the problems is not well defined, where both the aims and the instruments of policy are different from what happens elsewhere. The economist also sometimes gives the same impression and it is not surprising that in addition to striving to understand better what is happening and to clarify the various underlying concepts—which are often loaded with emotional feelings—the economist tries to go a step further and to question acquired beliefs and anything which may seem today to be the ‘simple and clear truth’.

We are living not only in a period of fast economic growth with all the consequential effects on the economy, on the people, on the relations between regions or countries, but also in a period where this growth is accompanied by a rapid change in our ethical and material values and where the points of reference—which many people would have liked to see unchanged—are constantly changing. As Denis Bergmann has said: ‘remaining aware of these changes is for all of us a fascinating intellectual challenge’.¹ A discussion on ‘agricultural policy formulation’, is thus a subject of topical interest for everybody and a challenge to those who are often asked by the political leaders for ‘unbiased’ advice.

Having briefly recalled what have been so far the main constraints—economic, social and political—of agricultural policy, both at national and international level, this paper will try to identify the problems which seem to lie ahead of us. These problems involve not only a definition of new priorities for agricultural policy but especially the formulation of new concepts for ‘agriculture’. By raising such simple questions as: what is agriculture? who is a farmer? a whole set of problems need to be examined and, as far as possible, solved. The role of the economist in this intercourse of ideas also needs to be specified.

A point which comes to mind in any discussion of agricultural policy is whether such a discussion can simultaneously cover countries at different levels of economic and social development. As far as the basic principles

* Director for Agriculture, Organization for Economic Co-operation and Development. The views expressed in this paper are entirely the author’s responsibility and are not necessarily those of the O.E.C.D.

are concerned they seem to apply universally, but when it comes to policy formulation, a distinction necessarily needs to be made.

In fact, the problems of the less-developed countries are at present by far the most serious and the most important. Rapid population growth in many developing countries is resulting in high rates of unemployment throughout the economy and in the need for agriculture to provide employment for a growing number of people. This necessity for growing employment in agriculture stems also from the rather capital-intensive, as opposed to labour-intensive, development pattern adopted for the non-farm sector. These two examples—and there are many others—illustrate how agriculture in the developing countries is facing a range of problems quite different from those faced by agriculture in the industrialized countries, even when these latter countries were at earlier stages of development.

On the other hand, the agricultural problems of developed and highly industrialized countries are relatively small and sometimes marginal in terms of the whole range of economic issues of our societies. Their solution requires, however, not only political will but an intellectual effort to create a conceptual framework which should combine imagination and realism. It is especially this question which needs to be answered, and if a satisfactory answer is found, this will be of considerable service to the developing countries too, some of which are moving rather rapidly towards a stage where agricultural policy formulation will become increasingly sophisticated. Moreover, the developing nations may learn from some of the failures encountered by the industrialized countries.

II. PRESENT CONSTRAINTS IN AGRICULTURAL POLICY

At any given time, agricultural policy—as any other policy—is the result of divergent and sometimes conflicting interests and aspirations. Although this is known, there is often an effort made to justify and rationalize either the decisions taken or the claims put forward: in this recourse is always had to arguments which reflect the actual assessment of the situation or what is thought to be an objective evaluation of basic forces. These basic forces are the constraints underlying any policy decision and which ultimately set priorities in policy formulation.

These constraints are usually of an economic, social and political nature. The simple enumeration of these words—economic, social, political—probably gives the impression that the boundaries between them are easy to set. In fact, it is extremely difficult to make a distinction between them, especially as between economic and social. Do we not usually tend to call 'social' the economic problems of the low-income people? Is it not possible very often to solve the so-called 'social' problems through economic measures? And when an economic problem is common to a relatively large number of people, then the problem becomes 'political'. In spite of these inter-relationships, it is worth enumerating very briefly what are these constraints that agricultural policy formulation has to face.

(1) *Economic constraints*

These stem from the production function of farming, and in this respect farming is not different from the other economic sectors. Agriculture produces in order to sell: therefore the demand for farm goods is of determining importance. Then in order to produce, agriculture has to apply technology and management: therefore developments in the input markets and in farm organization are significant.

The situation has already been reached in industrialized countries where income elasticities of *demand for food* (in terms of goods requested at the farm-gate level and not necessarily at the retail level) are nil or even negative, with very few exceptions. Assuming that international trade is allowed to play only a marginal role as a source of or as an outlet for farm supplies (this does not imply any judgment as to what international trade ought to be, but merely reflects the present situation), high-income countries are confronted with a relatively saturated demand for food in quantitative terms: the only positive factor in this respect is the increase in population, but here again the growth rates are usually below 1 per cent per annum, and these rates are well below the production potential of agriculture in these countries.

Food demand is also characterized by a relative inelasticity with regard to prices. This combined with a relative inelasticity of supplies is at the origin of the well-known *instability of the markets*. With 'unorganized' demand and supply—in terms of large numbers of consumers and producers acting independently—short-run market instability is difficult to avoid. The situation may gradually change as consumer demand is concentrated and guided (through publicity and education) and as supply is also concentrated in fewer hands as a result of the rapidly decreasing number of farms. These are the reasons for increasing government intervention in stabilizing the domestic markets, as the consequences of prolonged periods of instability would cause hardship to both producers and consumers: it is well known how small variations in demand and supply produce more than proportionate effects on prices and incomes. It is well known that regularity of income—probably more than the level of incomes—is the major incentive encouraging technical progress and greater productivity in agriculture.

The growing *integration of agriculture in the national economy* constitutes another economic constraint for policy formulation. Farm labour is being replaced by capital inputs but in addition massive uses of purchased inputs are transforming the character of agriculture. Through product and especially functional specialization the area of agriculture's activity is constantly diminishing. Moreover, agriculture—as any other economic activity—is in the market competing for the various production factors: labour has to be remunerated according to the prevailing standards; land for agricultural use has often to compete with land for non-agricultural purposes; credit must be obtained very often at prevailing commercial rates. The question which frequently arises is whether agriculture can sustain this competition given the natural and bio-

logical constraints of farming. However, if agriculture is to be remunerative it tends to require more capital per man (mainly because of high land values) than many other occupations. In the face of the limited scope for increasing total output, how can economies of scale be realized in a large number of farms?

It is tempting nowadays to advocate a less intensive farming to take account of the supply/demand situation and the various structural inelasticities mentioned later on. But it is well known that agriculture in the long run needs to use the *technology* which is at its disposal. If agriculture were to be deprived of this technology, it is its income-producing capacity which would suffer and the sector would be put at a permanent disadvantage versus the rest of the economy.

For a given rate of national product growth the production potential of agriculture tends to grow fastest in those countries where the share of agriculture in the economy is smallest: i.e. in the highly industrialized countries.² It is in these countries also that this potential needs to be kept within limits, because of the social costs and burdens which such a paradoxical situation creates for the rural community in many regions.

Technological innovation creates techniques which are difficult to handle, increasingly expensive to operate and which result in an increase in fixed costs, although they allow increases in productivity and returns. The availability of this technology combined with the aspiration for higher incomes is forcing farmers to increase their size of business by investing increasingly larger amounts of capital. It is a common phenomenon nowadays for farmers in industrialized countries to be compelled to borrow and invest in order to survive. The indebtedness of farmers is constantly increasing. In spite of this indebtedness and of the increased price risks incurred, this technological innovation gives an advantage to the large farms.

Moreover, most of the new technology is aimed at replacing labour and at increasing yields: it results in a production-motivated attitude with limited scope for gains in quality. In fact agriculture cannot benefit as much as the food-processing and distribution sectors from the drive towards the 'qualitative and service' requirements of consumers and try, through this 'non-quantitative' device, to increase its size of business.

In industrialized countries food still represents a sizeable proportion of *consumer expenditure*, especially for the low-income consumers. Therefore, any inconsiderate rise in the prices of food tends to increase inflation through larger claims for wages. This situation has added to the determination of many governments not to increase farm prices as much as farmers would have liked (the other reason for not increasing farm prices being the desire to avoid surplus production—even though the relationship between farm prices and production is by no means a simple one of cause and effect, farmers being motivated also by other factors such as climate, type of land, equipment, personal inclination, long-term hopes, etc.). It is being increasingly recognized, however, that the producer price has a declining impact on the price at the retail level for the well-known

reasons which do not need to be described here. In spite of this recognition, the level of the producer prices continues to play a more than proportionate role when consideration is given to the need to keep the prices to the consumer as low as possible.

Government expenditure is a constraint for any policy. The desire of many governments—for economic as well as political reasons—to keep taxation as low as possible prevents government expenditures from rising to a level which would satisfy the claims of all economic and social sectors. Agriculture as a producer of food has to compete for these resources: although in a rather strong political situation, agriculture is at a disadvantage because of the need for governments to satisfy the requirements of those programmes which are essential to the growth of the economy and the growing social needs of the society: programmes are becoming increasingly people-oriented.

These are the basic economic facts at work bringing about *a radical change in traditional structures, social patterns and values*: a technological revolution in farm practices running parallel to fundamental changes in the nature of the markets to which farmers can sell their products, and in the attitudes of the community towards its growing social needs. And few people truly realize the full meaning of this evolution. As Roger Savary has explained: 'one reason for this comparative lack of understanding is that the phenomenon is of such scope and implication that most of those in authority—and first of all the politicians—recoil not only before the unrewarding task of explaining it to the populations, but even, unconsciously, before the challenge of taking in all the long-term consequences'.³

(2) *Social constraints*

Because farming, in addition to being an economic activity, has been so far in most countries a social condition and a way of life, *adjustments have been slow* and certainly much too slow compared with the requirements of the economic situation and the concept of economic efficiency. This is not to deny, however, the very great influence that policy in general and agricultural policy in particular has played on the pace of adjustment of agriculture: the divergent experience of the countries in Europe in the latter part of the 19th century illustrates this influence.⁴

Lack of *mobility*—geographical and professional—has characterized much of the agricultural community for several decades, but it has to be recognized that when the 'pull' factors were strong enough the rate of mobility has substantially accelerated. This acceleration is of course the combined effect of sustained economic activity in the economy and of the psychological and professional preparation of the farm youth. The rate at which labour can move out of agriculture, though depending largely on economic factors, is a social constraint for policy-makers.

A similar but reverse constraint is also exercised by the lack of young people wishing to enter the farm profession. The cases are now becoming common where the number of people wishing to become farmers is

smaller than what would be necessary to maintain a well-balanced agricultural population (from the age structure point of view) and a 'family type' farm structure which is advocated as a political goal by quite a number of governments. Therefore, the number of people prepared to move out of agriculture or willing to stay in farming is basic to any policy formulation, it being of course understood that policy itself can strongly influence this number.

These questions bring us to another social constraint: the *distribution of population* among the various regions of a country. The economic forces, if left to operate unrestrained, would tend to work towards the concentration of economic activity in those areas which benefit also from adequate transport facilities, from adequate managerial and working skills, from proximity to large consumer centres, etc. Such forces, even mitigated by a whole range of policies aimed at industrial decentralization and regional development, have already created in almost every industrialized country a vacuum in certain rural districts with the well-known short-comings for the population which still remains in these regions, for the operation of public services, for the preservation of the natural resources, etc. Moreover the social costs in rapidly expanding urban districts are far from negligible.

Technological or structural, the current developments have the common feature that they do not affect evenly all sectors of agriculture or all producers within the various sectors. This adds to the problem of the *income disparities* which characterize agriculture.⁵ This is the biggest social constraint on policy-makers: it is at the same time a basic economic and an important political element. It is not only the income disparity between agriculture and the other sectors, but also the disparities within the farm sector itself. In many cases, these latter disparities are more important than the former. A common picture for industrialized countries is for average farm incomes to have a ratio of 1 to 1.5 or 2 compared to average non-farm incomes. But in the same countries the average disparity between the two broad farm groups—one numerically important but economically weak, and the other numerically small but economically strong—is of 1 to 10 or to 20. The social implications of these situations are self-evident which by themselves cannot, however, determine the type of agricultural policy which needs to be followed. This policy will depend equally on the fiscal, credit, inheritance and other legislation.

The existence of these disparities—and the aims with respect to them—touches, however, some basic features of the agricultural policies as they are conceived and carried out at present.

The concept of 'parity' is strongly influenced by these elements, and will be discussed later in this paper. But at this stage it would be sufficient to say that the income situation of farmers and especially their income aspirations in a society which rightly or wrongly has placed the greatest social value on achieving constantly higher material incomes, make the farm population open to political action.

(3) *Political constraints*

Any group of people having economic, social or other problems in common attracts sympathy in the political area. This solicitude is very often a response to the claims put forward by the various socio-economic groups. Agriculture is not an exception to this rule, especially as farmers constitute a sizeable influence in the electorate. It is true that in industrialized countries the size of the farm population is declining very rapidly, but the farm vote is still important because in many cases the parliamentary representation of rural areas is more than proportionate compared with the actual population living in the various districts and because a change in political majorities is often the result of small shifts in numbers of voters.

For quite some time the general attitude with respect to agriculture has been to minimize the heterogeneity of farming through ideological or general statements which often serve the interests of particular groups of farmers. But it is known that the problems facing agriculture are not uniform to all farmers: the interests of the cereal growers conflict with those of the livestock sector; the interests of the small farmer are not identical with those of the highly developed commercial farm sector. There are examples showing how various political parties nowadays try to obtain the sympathy—and support—of a particular farm group. On the whole it was previously felt that farmers constituted a stable electoral group, conservative rather than radical: this situation is changing and in some cases we are observing a radicalization of the farm movement.

Whether the farm groups are thought to be conservative or radical, policy-makers will, no doubt, try to develop agricultural policies which so far as possible take account of what are considered to be the aspirations of the farm electorate. And it is in this context that various concepts have been developed and certain policy aims determined, such as parity, the family farm, structural reforms, protection against foreign competition.

The *notion of 'parity'* is strongly rooted among the farm population, but the paradox is that while this feeling is solidly rooted in the minds of everybody it is badly defined and ambiguous. The concept stems from the belief that the farm population is lagging behind the other sectors and is not adequately sharing in the benefits of growth. Various contents have been given to this concept: parity price, parity of income, parity of opportunity.

But these partial concepts too are not well defined. In terms of prices, parity can mean that farm prices should follow the same development as non-farm prices irrespective of the relative development of productivity in the various sectors; it could also mean that farm prices should be linked to prices paid by farmers for the inputs they purchase or the cost they incur as producers. The reference period is always a much disputed question.

The same is true when parity is meant in terms of income. There is the notion of income parity applied to the statistical average of the farm sector and to that of the economy as a whole. Much of the present discussion uses this notion. But as there is growing recognition that the statistical

average in agriculture is not representative of any real situation, parity can also be a concept applied to individual groups of farmers: parity between the large commercial farmer and the industrial entrepreneur and parity between the small farmer and the medium level wage-earner elsewhere. But should the farmer be compared only to a wage-earner? And what about the non-farm group? They are far from being homogeneous: does the textile worker earn as much as a person working in the electronics industry?

Parity of opportunity is a more vague concept, but it reflects better than the previous ones what agriculture needs. In addition to direct material advantages, there is a widespread feeling that farmers need better education and better preparation to be able to take advantage of the opportunities offered by the economy and the society at large.

'*Family farm*' is an expression widely used but every attempt made to give a precise meaning to this concept has failed in most circumstances. The prevailing feeling is that a family farm should be an independent unit operated with almost no hired labour and relying to a large extent on its own capital with the owner the master of his own destiny. This was the traditional pattern of farming until one or two generations ago, and this is a pattern to which many politicians are still attached. Attempts are made under the pressure of economic events to broaden this concept and to accept the characteristic of a family farm as that which is managed by a single family. In any case, whatever definition is retained, the effect should be to have a pattern of farming which would have evolved less than what the free play of economic forces would likely bring about. Most policy-makers seem to be committed to this idea.

Associated with the family farm—both in terms of the present deficient pattern and of the goals to be achieved—is the notion of *structural reform of agriculture*, aimed at humanizing the transition and at helping farms which would otherwise sink under the pressure of economic forces to become viable. Politicians are committed to such a course of action under the pressure of those directly concerned, but few, if any, seem to note that the programmes of structural reform, no matter how ambitious and how far reaching they are, have always fallen short of what prospective developments require. This and the other political constraints make policies constantly run behind developments instead of preceding them.

Another political constraint which derives from all the others is the request for *protection of national agriculture* against foreign competition. In a world which for the last quarter of a century has been committed to free trade, agriculture has constituted the main exception. Governments have successfully advocated free trade as a tool towards higher economic efficiency and general well-being, but the conditions under which agriculture operates vary so greatly from country to country that there is scarcely any government which can advocate free trade in agriculture for all commodities. Even those countries which are the strongest advocates of free trade take a most restrictive attitude when it comes to commodities which are produced by farmers who feel a need for protection.

This is the international dimension of the farm problem. As for the domestic farm problem, the international implications involve economic, social and political aspects. What was said earlier about the instability of the national market is even truer for the international market, and because of the existence of various preferential arrangements, the residual market suffers the most severe instability. The introduction of import restrictions and the pressure of supplies has increased the competition for export markets; this in turn has resulted in the introduction and intensification of export subsidies; and as a spiral phenomenon, new import restrictions had to be taken against dumping practices. The result is that the international market is a collective reflection of the maladjustments of national domestic policies of all countries, be they developed or developing, small or big.

As John Schnittker had said 'experience shows that international efforts can exert but little pressure against farm policies and programmes arising out of powerful domestic political forces. Decision-making on agricultural policy . . . responds principally to domestic political considerations, and not to international interests'.⁶ Yet public opinion is very sensitive to these questions and a wide gap separates those who advocate free trade as a precondition for increasing trade and improving its conditions and those who advocate the opposite course of action: improve first the conditions of trade through all sorts of arrangements and then move towards a freer and better organized trading pattern. These views dominate the present debate, and everybody wants to give a rational justification to their own attitude, whereas it is known that these attitudes are dictated—beyond any theoretical approach—by the prevailing economic interests. Aggressiveness on the one side gives rise to rigidity on the other which in turn feeds increased aggressiveness.

This account of the political constraints would have been incomplete if no reference was made to the *requirements of developing countries*. To promote and finance their development some of these countries may temporarily need aid in the form of food; most of them, however, need to export increasing quantities of agricultural products which compete either directly or indirectly with farm production in industrialized countries. This essential factor is being taken into account by policy-makers, but under the pressure of public opinion it is to be hoped that the interests of the developing countries will occupy a more central place in agricultural policy formulation in industrialized countries.

III. MAJOR CONFLICTS OF PRESENT AGRICULTURAL POLICIES AND THE ISSUES AHEAD

The constraints mentioned in the preceding paragraphs have shaped agricultural policies in particular in the last forty years, but it is only gradually that the contradictions of these policies have been noted and analysed. It is sometimes surprising to see how long it takes—even for economists—to analyse the basic elements of a situation, not to speak of analysing the consequences of the policies advocated or carried out. It is

true that a policy can only be assessed against the goals it was intended to achieve and against a set of criteria which represent the sum of the ethical and material values of societies at a given time. As the latter are changing under the influence of economic and cultural development, agricultural policies—as any other aspect of economic and social life—are scrutinized with a constantly changing set of criteria. In addition, policies are slow to develop or to be modified even if the pressure of economic events require such a change: this creates a further anomaly in any assessment of policies in the sense that by the time they are scrutinized and assessed, the object which they were intended to fulfil is no longer relevant and the goals of society are placed at a different level. It could be said, therefore, that as soon as a government decides on a policy it might be appropriate to consider at the same time, setting up a Commission with the task of trying to foresee the evolution of developments and proposing policy changes accordingly. This would recognize the rapidity with which changes are occurring in our societies and economies.

(1) Major conflicts in present policies

The major contradictions of present agricultural policies are not always due to the wrong setting up of these policies when they were first initiated but to the inability to change them at least at the same rate as economic and social conditions change. Facts change more rapidly than ideas and ideas more rapidly than institutions: there is a growing gap in many countries and in many sectors between the type of problem to be solved and the policy used to that effect. As Joseph Klatzmann has recently said 'il semble bien . . . que les politiques agricoles de presque tous les pays soient en grande partie fondées sur des idées fausses relatives aux faits et mécanismes, des contradictions et des illusions'.⁷

The major policy contradictions as they appear today are found especially in two areas: price support and market stability on the one hand, and income support and structural reform on the other hand. These two areas have in common the desire of governments—reflecting the legitimate aspirations of farmers—to protect farmers' income. They illustrate, however, that as they stand today, agricultural policies are characterized more by short-term than by long-term considerations. Moreover, as Don Paarlberg has courageously said: 'Farm programs are of, by, and for the big farmers.'⁸

Price support and market stability. In spite of the increasing importance of the various forms of social assistance to the farm community, public expenditures for price support are still the major single item. To these public expenditures, it is necessary to add the cost paid directly by consumers, as the prices paid by consumers—even if calculated at the farm-gate level—are substantially higher than those prevailing in international markets.

The various calculations made to evaluate the level of support to agriculture usually compare domestic prices to world market prices. This method assumes that world market prices are always a satisfactory

reference and are representative of real economic conditions. But in the absence of domestic support the adjustment in production and trade policies would necessarily bring about an increase in the level of world market prices which we have experienced during many years. Therefore any strict comparisons between domestic and world prices tend to overestimate the real level of support.

Except for phenomena of short duration, like those experienced in recent months, the supply situation has shifted gradually in industrialized countries from a relative shortage to a relative surplus: this change has exerted a downward pressure on further increases in prices, but the political inability of governments to adjust some farm prices downwards because of the ill effects on farmers' incomes has led to a price level which was not capable of ensuring by itself a balanced supply/demand situation. The role of prices as an essential factor for the guidance of production is also reduced by export restrictions affecting some agricultural products, like those applied recently as a means of preventing large price increases to the consumers on the domestic market. The consequences of this situation are well known both at the national and international level.

Some advocate that the free play of market forces would balance supply and demand and move resources—both human and physical—from a sector of lower productivity (and therefore of inadequate income-producing capacity) to another with better prospects. Prices would thus fulfil a double objective: guide economic activity and ensure satisfactory incomes. As long as farm production is deficient this dual objective can easily be pursued by price policy. It is, however, known that the problem in the long term is the existence of a production potential which exceeds effective demand. It would therefore, be desirable to adopt an approach which would clearly separate the guidance of production from the support of farmers' incomes. This is all the more important as the present system, irrespective of the market situation, is working against the social objective of reducing income disparities: in a number of cases it actually increases them. And what is more extraordinary is that it has taken such a long time to find this out.

Income support and structural reform is another area where conflicts are arising. It was stated earlier that most governments seem committed to promote a reform of farm structures, in spite of the difficulty of giving to 'farm structure' as well as to 'reform' a precise and clear content. In some quarters it is felt that the structural reform should lead to the disappearance of a large number of farms—certainly in a most humane way—and to the gradual concentration of production in those which are, and can remain, economically efficient. Others feel that the structural reforms should result in bringing up to a satisfactory standard of viability a substantially larger number of farms. In fact present policies aim at both developments simultaneously. Both approaches aim at reducing the heterogeneity of farming. Part-time farming may offer a third course: as farms which cannot be increased in physical size, because of the prohibitive price of land, or which cannot increase their size of business, because of the large investments required, may reach a satisfactory level

of viability by combining farming with another occupation, thus retaining their land property and avoiding some of the hardships of city life.

The conflict which arises in industrialized countries is due to the fact that the 'structurally improved' farms have a much greater production potential than the previous farms at the same price level: a decline in farm population does not necessarily mean a decline in farm production. Because of the inability and probably the undesirability, of modifying some prices downwards structural reforms, if they are to be at all meaningful, would aggravate the excess supply situation. They are already doing so in some cases. Because of the social and political constraints mentioned in the previous section, the solution of this conflict is probably the most difficult problem that governments are facing at present.

Various *attempts have been made to overcome these conflicts*, but with little success so far. All sorts of programmes combining voluntary or compulsory restraints in production with action on prices (an increase and a decrease in prices have been experienced) have been tried but there is no evidence that any such formula is better than the other. Governments are combining the 'carrot' with the 'stick' but they are getting involved in more and more active interventionist policies. Does this growing government interference in agriculture accelerate the rate of change or does it hamper it? Both of these propositions seem to be true, and there are numerous examples which can illustrate them.

The controversy arises from the fact that the aims of policy are often inappropriate to achieve the stated goals. For example, what kind of a clear answer can be given today to such simple questions as: who is to be supported? What is the role of agriculture in society? Are we sure that support in general, and price support in particular, as practised today, are capable of achieving incomes that are satisfactory to those people whom the legislator wants to help?

Therefore, before enumerating the criteria which should serve as a basis for agricultural policy formulation, it would be useful to try to give an answer to these and other related questions. Some of these questions touch on issues which go beyond agriculture, but they dictate the type of attitude that governments and public opinion have, or should have, towards agriculture.

(2) *Issues ahead*

The concept of growth. The policies of all industrialized countries in the postwar period have aimed, *inter alia*, at achieving full employment and to a large degree this goal has been achieved. The bulk of the present active population in these countries has never experienced any prolonged period of unemployment and this situation is probably happening for the first time in modern economic history. This situation of full employment has been achieved through a rapid and sustained growth of the economies to an extent never obtained in the past. Maximum sustainable economic growth has, therefore, become the main goal pursued by all countries: even when they had to take restrictive measures in order to contain the rate of growth because of the undesirable side-effects, such as rapid cost and price increases or disequilibrium in the external payments.

governments were compelled under the pressure of public opinion to restore the policies conducive to growth even if such a course of action were to lead to drastic measures, such as a change in the parity of the national currency.

This illustrates the place that a constant and rapid growth has in the imagination of people. But growth has also its negative effects, because of the strains it puts on everyone—individuals as well as corporations—who are required constantly to adapt to changing conditions. It is in this context that agriculture has had to operate in the last three decades, and it is well known how such a process has helped the strong, but much less the weak. Either you grow and improve or go backwards and disappear: stability is no longer possible.

These personal strains are combined with others in the social area to the extent that in recent years many people have discovered the 'quality of life' and many others have become concerned with the consequences that rapid growth may have on the availability of natural resources. Some are even advocating 'zero growth' without, however, giving to this concept a precise content. The debate is open on these questions and whatever its outcome, agriculture will have to adjust to the resulting overall attitude towards growth.

It is hard to see how our societies could achieve their social goals (and the most important politically is the reduction of income disparities through a constant redistribution of personal incomes) and fight for a better environment without maintaining a high rate of economic growth. Income redistribution without growth becomes extremely difficult, both economically and politically; and the fight against pollution and other nuisances can be carried out by developing new technologies rather than by reducing the rate of economic activity. In addition, new technologies may well develop new sources of raw materials or a more economic use of known resources, thereby avoiding the spectre foreseen by some authorities.

In fact the criticisms made against the 'consumer society' reflect especially the growing consumption of material goods, but everybody agrees that the 'consumption' of social services is rather low, e.g. education, both general and vocational, health, etc., because of their inadequate availability. But how would it be possible to increase the supply of these services if resources were not freed from other economic activities, e.g. agriculture, industry, trade, etc? This means that even if the consumption of material goods were to be contained, the sectors producing them would still be under pressure to become more efficient.

Those countries which are suffering the most from industrial nuisances and which have scarce natural resources are planning, for the remainder of this decade at least, for a continuation of rapid growth. Moreover, any attempt to curb the rates of growth requires an international understanding, as there would probably be no country willing to enter such a course of action if it were not assured that the others would act likewise.

All this means that agriculture is likely to continue to be under pressure to become more rational, to grow and to contribute to growth: economic efficiency will continue to be the dominant factor. But it also means that the preoccupations with the environment, the quality of life, the quality of food may add another dimension to the role of agriculture in our society. In addition to the traditional role of supplier of food and of supplier of labour and even of capital to the other sectors, agriculture may become the protector of the landscape and of the natural resources—soil and water in particular. The implications for agricultural policy are difficult to visualize as it will probably be necessary to dissociate the production of food from the protection of the environment.

What is agriculture? At lower levels of economic development the rural community, in addition to being the producer of food and other agricultural products, is also the supplier of most inputs used in the farm production process and the processor of most products; a large part of the marketing is also the responsibility of agriculture. With industrialization, agriculture has been left almost exclusively the role of producer and this role starts and ends at the farm gate. Both farmers and governments seem to agree on this point and the main object of the agricultural policies is agriculture in this strict sense. Value added by agriculture, productivity in agriculture, *per capita* farm incomes are all based on this narrow interpretation.

The question arises as to whether this narrow definition of agriculture is correct and meaningful. We are observing a growing integration of agriculture, both horizontal and vertical, and the farmer is becoming one element of the food chain. To what extent is it possible or advisable to isolate one single element of this chain and to build a policy tailored to suit its needs, as if agriculture could act independently of the other parts of the agri-business complex? We are noticing an increasing participation of the processing and distribution interests in the production of food, and for these firms food is one among several lines of production. There is every reason to believe that this trend will continue in spite of legislation which might be taken in some cases to counteract this development. Agriculture is, therefore, likely to become an integral and inseparable part of the food complex—whether this complex is controlled by farm co-operatives or by interests outside the farming community. Public policy ought, therefore, to embrace the entire agri-business complex and not cover only the production function of the raw material.⁹ Such problems as the balance between supply and demand, the spread of technology, and quality control, might be greatly facilitated, but at the same time the increasing participation of multinational companies in the production and marketing of agricultural products may give a new dimension to the agricultural problem as international trade relations acquire a new characteristic.

Who is a farmer? The above discussion indicates the difficulty of defining the 'farmer'. At present the bulk of those engaged in the production of food are farmers in the traditional sense, and have farming as their exclusive or their main occupation. Will this continue for long in

the future? It is doubtful. In many countries already the traditional type of farmer is becoming to an increasing extent a part-time operator and several people believe that this is not a transitional status, but a permanent feature of agriculture in highly industrialized countries.

On the other hand non-agricultural interests are acquiring an increasing role in agriculture, through the purchase of land and/or through direct involvement in food production, although not always very successfully. Can these individuals or corporations be considered 'farmers' in the traditional sense and benefit from price support schemes? The legislator who developed the present agricultural policies did not have these in mind.

The degree with which this change is occurring may vary as between countries, but this trend is universal. This trend is combined with the tendency for a constantly growing proportion of what is marketed to originate from a constantly declining number of farm units, whether these units are operated by 'farmers' or by 'non-farmers'. These two trends will inevitably raise the question of who is supported through the agricultural policies and it will become inevitable to have to make a distinction between the commodity and the producer: this is the minimum of clarification which would seem to be necessary.

The nature of protection. It does not serve any useful purpose to discuss whether protection is necessary or not. Our societies are all dominated by a feeling of insecurity and therefore protection has become a dominant factor of our times. But the content given to protection is far from being clear, and several differing attitudes are covered by this concept. Earlier in this paper a reference was made to *protection against foreign competition*: historically, this is probably the first meaning given to protection.

The justification for this type of protection probably originates from the fact that the concept of comparative costs is difficult to apply in practice, so long as the free movement of goods is not accompanied by a free movement of labour, capital, and management. When a region was unified to an extent allowing such free movement—either when various provinces of a region were unified under a single political entity or when various countries decided to form an economic union—protection against competition from within the region was abolished. No distinction is made in this respect between agriculture and the other economic activities.

In the absence of these institutional developments, protection is likely to continue, both for agriculture and for other sectors. But what makes the 'agricultural case' a different one and a cause of concern is the way in which protection is granted. Certainly the level of protection—irrespective of the method used—is of paramount importance for determining the level of national production and therefore the resulting trade possibilities; but the methods used can equally determine whether foreign competition may or may not be allowed to exert an influence on national production. Inherent in any system of protection against foreign competition is the belief that in the absence of such protection the people employed in that sector would suffer: this is thought to be true for agriculture, especially if account is taken of the large number of those producers who supply a

small part of the market. But is not the real problem of these producers that they have, in any case relatively low incomes—no matter what the level of protection?

Here the second meaning of protection comes in. It is the *economic protection of the individual* and the assistance which the community is prepared or should be prepared to grant him. There is an increasing number of ways in which this protection is granted: social security in all its aspects—sickness, old age, unemployment; educational assistance; differentiated taxation; direct payments, etc. And all these forms of protection should be available to the individuals who are in need of them, irrespective of the type of economic activity they perform and of the economic group to which they belong. In this case also it would seem to be advisable to make a distinction between the economic activity performed by an individual and his social position, i.e. the problems arising from his weak income-earning capacity.

IV. A POSSIBLE POLICY FRAMEWORK FOR THE 1980s

From the discussions so far, it has emerged that agriculture in the years to come and the issues it will be confronted with will still be dominated by the factors which have shaped their post-war development: the persistence of these trends, however, will probably imply a fundamental change in the attitudes towards agriculture and all the more so towards agricultural policy or—what is even more correct—towards public policy with respect to agriculture.

A decade ago the analysis of the situation had already brought us to recommend that agricultural policy should recognize the existence of at least three distinct farm groups, and that it should adopt a different approach for dealing with the problems of each of these groups. These are: the commercial farm sector in need of market stability (as opposed to market support); the potentially viable farm sector in need of assistance to achieve the level of viability; a group of farmers with no future in agriculture in need of assistance for early retirement or for transfer to other occupations.¹⁰

It appears today that this vision—although still not accepted by everybody concerned—is too modest compared with the issues developing ahead of us. In fact with continued rapid rates of change, the changes become more pronounced: as Valéry Giscard d'Estaing has recently said: 'le choc du futur est d'autant plus violent que le futur avance plus vite vers nous'.¹¹

The growing integration of agriculture in a broad agri-business complex and even the integration of the latter with the whole range of economic activities, combined with a further rapid decline in the number of people devoted to farm production will necessitate a rethinking of what kind of public policy would be necessary for 'agriculture'. Such a rethinking appears also to be necessary because of the new functions that 'farmers' may be called upon to fulfil, e.g. in the conservation of nature, and because

of the growing preoccupation of our societies with the social problems of all the citizens. Such a rethinking is also necessary in order to facilitate the achievement of a much freer agricultural trade in the future.

This implies that agricultural policy should be elevated to the level of a broader policy which could affect agriculture but not agriculture alone; on the other hand it implies also that policy should become more specific—and less uniform in its application than it is at present—to meet the diversified requirements of agricultural production and marketing as well as of farmers.

The temptation, however, is great to recommend a policy which would preserve the present nature of agriculture and which would spare farmers the shortcomings of growth while allowing them to share in the benefits of growth. Such a course of action would probably reduce the pressure on the present generation of farmers but are we sure that the next generation would not be penalized? The gap in real productivity and in income-producing capacity—as opposed to that calculated under present support systems—would certainly increase between agriculture and the rest of the economy and the pressure will inevitably become great to end the distorting effects of these policies. Today the food supply is still of paramount importance to our advanced societies, because the spectre of food shortage is still in our memories; but are we sure that in twenty years' time the same will be true and that agriculture will still benefit from such a psychological factor? Probably not: other goods and public services could conceivably at that time run in short supply, such as energy, medical care, education, transport, etc., thus monopolizing public attention. In order to prevent an unpleasant awakening in 10 or 15 years' time it would seem preferable to look ahead and to humanize and correct expected developments rather than act in order to maintain the present. The path between drifting back into old ways and directing policy towards the future sometimes is a narrow one.

It would seem therefore that the *policy for the 1980s should have a broader base than at present* and this broadening should follow two directions: on the one hand insert agriculture in a policy for the entire agribusiness complex and on the other hand insert agriculture in a policy for resource development and conservation. The policy for the 1980s should also result in a closer integration of the food economies internationally, thus contributing to a better allocation of resources. This latter aspect is of particular importance if the requirements of the developing countries are to be taken into account.

The policy for the 1980s should aim, with even greater vigour than at present, at reducing the differences between agriculture and the rest of the economy. The achievement of such a goal has guided the drafting of this paper and in particular of the following paragraphs together with the belief that societies should protect the individual against the inhuman effects of our technological civilization and assist him in his capacity of producer, consumer and citizen.

The following paragraphs do not attempt to provide a comprehensive

blueprint of tomorrow's policy: they aim merely at providing a possible conceptual framework. This is done in a rather schematic way, which points, however, to the areas where more research and discussion seem to be required.

(1) *A policy for the agri-business complex*

The main role of the policy for the agri-business complex, would be to ensure a rational use of resources; to ensure regularity of supplies; to maintain fair prices; to control quality and to avoid unfair treatment of one group of this complex by another.

The *rational use of resources* can be facilitated through an adequate fiscal and taxation policy and through provisions allowing for competition to play its role, within the limits set by protection at the border.

The *regulatory of supplies* could be achieved either by an increase in prices for those goods in short supply or by the reduction of protection at the border, or by both approaches simultaneously. The excess supply might be corrected either by the development of new uses for the products in question or by a reduction in prices or by contractual arrangements, between farm producers, processors and marketing agents.

The *level of prices* involves several aspects. There is first the overall level of domestic prices compared with an agreed international reference level, i.e. the degree of national protection; this level being corrected by the changes mentioned in the previous paragraph concerning the regularity of supplies. This comparison is at present done on the basis of the farm-gate prices, but consideration should be given to placing this comparison at a level much closer to the consumer, involving the processed goods rather than the raw materials.

There is also the 'fairness' of the price, and this at various levels. Adequate indicative information should be supplied regularly by an authoritative public body, on which farmers, processors, distributors, consumers and government representatives would sit, as to what is a 'fair' price to the farm producer, and what is a 'fair' price to the consumer: the meaning of fairness involving in the first case an element of minimum and in the second case an element of maximum. This information should take account of the present and the expected supply/demand situation as well as of the trends in costs and remunerations for that top group of farmers and of processing firms supplying, for example, 75 per cent of the domestic market, after due account is taken of international trade.

But, beyond the question of the price level, which is naturally linked to the degree of external protection, is the whole problem of how large the transfers to agriculture should be. This is a delicate question to answer, but as all the policies become more people oriented it should be possible to agree that no one—either individual or a firm—should unduly benefit from any government-sponsored programme.

The shift from present policies, based principally on price support, to more market-oriented policies ensuring, however, a 'fair' price level, combined with an income support to the individual would require special

measures of a transitional character. It should be possible to develop various methods such as income supplements aimed at compensating a reduction of income consecutive to a reduction in prices, and limited to those farmers below a certain income level.¹² (The more general problem of low-income farmers is treated below.)

Quality and *quality control* will acquire increasing importance because the public is becoming more demanding about quality and because of the growing concern with residues of all sorts—chemical, biological, radioactive. There are already today several examples showing the important consequences that measures on pesticide use can have on agriculture.

To avoid the *unfair treatment* of one group of the food chain by another group would require a fair degree of government intervention, especially while the partners involved are structurally very different. For many years to come this will be the case with farmers, where very many single producers will have to face a decreasing number of industrial and commercial firms as the rate of business concentration in these sectors is quite rapid.

How to organize farmers' bargaining power will not be an easy task: in shaping their market support policies governments have taken over so far this responsibility—or rather have filled a vacuum—because of the inability of farmers to organize themselves. Recent experience, however, shows that the problems are not insurmountable especially as in the years to come the number of farmers is going to continue to decline, and as many farmers are already showing revived interest in the old co-operative movement, and in trying to get a slice of the more profitable business of processing and marketing their produce. Moreover, a limit will be placed on business concentration in the processing and distribution fields when such concentration creates a monopolistic situation and when the diseconomies of scale start appearing.

But the search for mutually satisfactory co-operation between the various groups involved should also go in the direction of closely associating farmers, processors, distributions or consumer groups in the same venture. Farmers should in this connection acquire a businesslike attitude and have recourse to high entrepreneurial and management ability. Many farmers are already responsible for very complex and vulnerable enterprises and seem to be prepared to live with the requirements of a highly industrialized society. What about the others? The satisfactory performance of farmers' organizations is an important condition for the merging of present agricultural policies in a broader policy embracing the entire food sector.

(2) *A policy for resource development and conservation*

The insertion of agriculture in a broad policy for development of resources, both human and physical, would be the recognition that agriculture alone cannot be asked to ensure the achievement of such goals as the spread of population and of economic activity as between the various regions of a country. Moreover, if agriculture is depressed in some

regions this is often the consequence of insufficient growth of other activities in the regions in question. Agriculture should become only part of a broader policy of development of depressed areas, which often have maintained a broad agricultural base. The prospects opening up for modern society make it clear that the reduction of the agricultural population is not to be confused with rural depopulation.

Policies of human and physical resource development of such a kind are already being carried out in a number of countries and the main lines of action cover transportation, industrial development, industrial and services decentralization and, where appropriate, tourism. Special mention should be made here about education and decentralization of education. Farmers in backward areas are legitimately sensitive to the obstacles they encounter in obtaining for their children an education comparable to that available in the more prosperous regions. If it is admitted that a large fraction of the farm youth will find it to their advantage to seek and find non-farm employment, equal opportunity in education becomes a prime necessity. High standards of education are in fact necessary even for those farm youth who decide to become farmers: as Gale Johnson has recently said, 'the day when a strong back and a willingness to work were all that was required to be a good farmer, is gone. Farming in the industrial countries is now a highly complex undertaking and rewards advanced education and first-rate managerial talents'.¹³

The *protection of the environment* should become, to an increasing extent, an integral part of such a policy; and this preoccupation will not be limited to those areas in need of development but will effect the entire country. Agriculture has always had simultaneously a destructive and a protective role with respect to the environment, but the new function of protection of the environment in the years to come should be fulfilled in a distinct way from that of farming. It is hard to visualize at present how these two functions can be accomplished without the one interfering with the other: is it utopic to believe that it may become one day possible in areas where farming as an economic activity would no longer be necessary or desirable to maintain a farming population entrusted with the specific task of protecting the landscape and the natural resources? The community would need to decide about the environment it wishes to have: would it be prepared to pay for something which so far has been carried out merely as a by-product of farming? How would it be possible to reserve a small part of the country's total food supply to the products obtained as a by-product of this new function, without disturbing normal marketing?

Land and space use is another integral part of any policy for resource development and for country/city planning. Agriculture has a large interest in such a policy as the prices and sufficient mobility of land play an important role in determining the viability of farming in a country or in specific areas within a country. A well-conceived land-use plan seems thus essential both for agriculture and for the other activities requiring land.

Such a policy could also provide for *adjustment assistance* to

individuals or firms facing important changes in market conditions, in particular as a result of trade liberalization measures (see later). The criteria for such assistance should be well defined: they should take account in particular of the rate at which the changes need to take place and of the existence of alternative possibilities for using the available productive resources. Helping marginal farmers to shift to non-farm occupations is an excellent kind of human adjustment. Such a shift would have very little effect on the supply or price of farm products.¹⁴

(3) *A policy for the under-privileged*

Our societies will become increasingly concerned with the problems of the under-privileged and these problems may acquire different aspects: sickness, old age, inadequate basic training, low income-earning capacity, inadequate professional mobility. These problems will probably diminish in intensity in the years to come but the number of those affected by them at one time or another during their life will probably increase.

A policy for the under-privileged will thus become a necessity, and such a policy should apply equally to all citizens irrespective of the professional group to which they belong. Farmers' social problems will need to be approached through these general schemes and it should be possible for the economic policy for agriculture to be dissociated from this function. The real needs of the individual will thus receive greater attention. Such a policy could go much further than existing social measures. For example, the unemployed receive special payments at present in almost every country: why not extend this system to the under-employed and thus cover the situation of many farmers?

A policy for the under-privileged could also provide for a minimum guaranteed income. The income supplement would make up the difference between the actual income and the guaranteed income and could be paid by a public authority. Criteria will certainly need to be developed for this purpose, and such concepts as a 'negative income tax' proposed as early as 1962 by Milton Friedman, would need to be examined among others. A farmer with an insufficient size of business and therefore with inadequate income will be better off with such a system than relying on a possible increase of prices (which will have little effect because of the limited volume of his sales) or an intensification of his farming resulting in bigger turnover (which in addition to the financial burden it represents, would contribute to the over-supply of the market if many farmers were to follow this course of action).

Dealing with the problem of the low-income farmer in a broader policy for the under-privileged does not mean, however, that the measures to be envisaged in this respect would have no relation at all to the structural problems of agriculture or to market stability efforts. Earlier it was mentioned how farmers below a certain size of business could be compensated for possible hardships resulting from a shift towards a more market-oriented policy. But the more general question of the low-income farmer will need to be investigated further: placing this issue in a more

general context would certainly be a welcome improvement.¹⁵

(4) *Some basic policy characteristics*

The type of policies briefly described in the previous paragraphs should have certain characteristics in common which seem essential in order to ensure maximum efficiency. First of all, whatever policy is developed, it *should be accepted by all the parties concerned*. This would imply a broad effort of explanation and persuasion, explaining in particular that such a course of action provided the best assurance that the interests of the individuals would be taken care of. Agricultural policies are normally discussed especially by the farming community and by the governments, but an effort should be made to bring other groups into these discussions: the representatives of urban populations and the consumers. The agricultural problem is not a regional problem nor is it a matter of interest to farmers only: all citizens should be concerned with such a vital part of economic policy and should contribute to setting priorities which reflect present problems rather than stick to obsolescent priorities. The general public must be helped to understand the nature of the issues confronting the food and agricultural sector.

Secondly, the *policies to be set up should be self-evolving* to meet the changing economic and social conditions. It is true that policies are usually rigid because of the political difficulties to be overcome whenever a change seems desirable. An illustration of the flexibility needed is provided by the example referred to above about the farm prices being set at a level to cover those top farms or those top processors supplying 75 per cent of the market: such an approach contains the notion of self-evolution as the number and type of units covered by this process does not need to be defined; on the contrary, if the criteria were either the physical size of the unit or its turnover, it would be difficult to constantly change them to take account of developments.

(5) *The international dimension*

The broad policy framework discussed here, although geared to the solution of domestic problems, would inevitably exert an influence—and an important one—on international trade. The philosophy underlying the above suggestion is the growing recognition that the problems of agriculture in industrialized countries are increasingly becoming similar to those in other industries which have to undergo adjustment to rapid technical and market change. Each country has an obligation to its citizens to aid this adjustment and pursue its social objectives. To attempt to shift the burden of such adjustment onto other countries through trade impediments is neither effective in itself nor desirable from the viewpoint of international harmony. If the approach to the 'farm problem' advocated above were to be followed, the international trade picture would be clarified as farm prices would come gradually more into line with the price level on world markets and vice versa, as world market prices would rise from their present low level to a level closer to that prevailing

domestically in the major trading nations.

This probable development in prices is to be seen in conjunction with an increase in the volume of trade and an improvement in the conditions of competition. At present these three elements—prices, volume of trade and conditions of competition—are confounded and the lack of precision in the discussion of these matters adds to the ambiguity of the issues involved. Whether a higher volume of trade is achieved through improved competition resulting in higher prices at international level, or whether an increase in world prices allows improved competition to take place resulting in a larger volume of trade, is a secondary matter. What is important is that, without trying to determine the sequence of the cause and effect relationships, these three developments occur in a concomitant way.

The trend towards closer international integration of national economies seems to be irreversible and it would seem undesirable if agriculture does not participate in this trend. Often the criticisms addressed to agriculture are that trade in this sector increases less rapidly than total trade, thus reflecting the existence of protectionist farm policies. It would seem desirable, however, that in such comparisons, the relative growth of the markets should also be taken into account as demand for farm goods is increasing at a much slower rate than demand for other goods.

A new look at international trade in agriculture seems necessary and probably any trade negotiation in the future will devise new approaches to the negotiation of trade in agricultural products. The difficulty—which can also be viewed as an advantage—is that there is no industrialized country which does not protect a sizeable portion of its farm sector.

This is not the place to discuss how agricultural trade negotiations should be conducted, but it is evident that such negotiations would be facilitated if national policies were made more consistent with one another. It is true that each country or country-grouping would adopt policy measures which are adapted to its particular circumstances, but it would seem desirable that there should be broad agreement on the policy goals to be pursued and especially on the implications, both national and international, of the policy measures. The international consistency of agricultural policies will be facilitated and at the same time will become a necessity as we move towards more internationally consistent economic and social policies in general. Paradoxically, the encouraging sign is that there is not a single country which is not in need of a profound change in policy.

In their efforts to improve world markets, encourage better patterns of production and liberalize and possibly organize trade, '... the industrialized countries will have to make more allowance for the situation of the less-developed countries. It is of paramount importance that those developing countries which are striving to increase their exports of agricultural products, raw and processed, should not come up against distorted conditions of competition or insurmountable obstacles. This

implies that the developed countries, individually and collectively, will be constantly concerned with trying to moderate the expansion of output of products which the less-developed countries could often supply more cheaply and reduce existing protection *vis-à-vis* these countries'.¹⁶

A FINAL NOTE ABOUT THE AGRICULTURAL ECONOMIST

Our role is to set the problems in the clearest possible way, to analyse their inter-relationships, to analyse the consequences of the policies decided by governments or envisaged by them, to propose alternative courses of action and all this in an objective and unbiased manner. But the degree of uncertainty is great, and this uncertainty increases as we move closer to normative economics. With uncertainty there is bound to be difference of opinion and we must accept it.

This difference of opinion among economists seems to trouble those outside the profession, perhaps because in many discussions of agricultural policy, as of economic and social policies in general, there is much at stake and the public is rather sensitive and does not like to see specialists disagreeing over remedies.

There is some, though not very much, disagreement over the simple facts. The disagreement increases as we try to interpret the relationships which seem to exist between these facts. For example, can we forecast the attitudes of farmers under different circumstances? Can we determine with some reasonable degree of precision what the price elasticity of supply would be for the different sizes of farms and different types of farm organization? By increasing the amount of empirical data with which economics work this kind of difference of opinion might be eventually resolved.

More difficult to settle is disagreement over what should be done in connection with a given situation and especially over the relative importance attached to values. It is easy to understand, for example, that men should disagree over how much efficiency can properly be sacrificed in order to secure justice. The important thing is to avoid the confusion which arises when facts and values are confounded.

Another cause of disagreement is the very simple issue of timing or pace of economic change. Sometimes there is agreement on the facts and on the ethical standards: all then that is left for settlement are the appropriate techniques of change. For example, in a policy for redistributing incomes or for improving production and marketing structures, there are alternative methods: some of them work slowly, others rapidly, then what appears to be the simple issue of pace becomes a very controversial issue of justice. It is our responsibility to put all these questions in a most clear way both to governments and to public opinion.

NOTES

1. D. Bergmann, *Whither French Agriculture*, Paper presented at the meeting of the Gesellschaft für Wirtschafts und Sozialwissenschaften des Landbaues, in Stuttgart-Hohenheim 1972 (mimeo).
2. A. Simantov, The Dynamics of Growth and Agriculture, *Zeitschrift für Nationalökonomie*, Vol. XXVII/3, 1967, pp. 328–51.
3. R. Savary, Statement made before the Sub-Committee on Foreign Economic Policy of the Joint Economic Committee of the U.S. Congress, Washington, D.C., March 1970 (mimeo).
4. M. Tracy, *Agriculture in Western Europe: Crisis and Adaptation since 1880*, London: Jonathan Cape, 1964.
5. Any calculation of farm incomes, and especially of average farm incomes, must be made with great caution. One element of increasing importance is the proportion of total income of farm households coming from non-farm sources. For example, in Japan 58.5% of the people living on farms had in 1972 a non-farm occupation as their main occupation; in the Federal Republic of Germany, farms below 15 hectares (about three-quarters of the total number of farms) derived in 1970 about one-half of their total income from non-farm sources; for the last few years, in the United States of America non-farm income of farmers has already exceeded income from farming.
6. J. Schnitker, Statement made before the Sub-Committee on Foreign Economic Policy of the Joint Economic Committee of the U.S. Congress, Washington, D.C., March 1970.
7. J. Klatzmann, *Les Politiques Agricoles: Idées fausses et illusions*, Paris: P.U.F., 1972. See also in this respect, W. W. Cochrane, *Farm Prices: Myth and Reality*, Univ. of Minnesota Press, 1958.
8. Don Paarlberg, Statement made at the Trade Policy Research Centre, London, February 1972.
9. L. Malassis and M. Bourdon, Un modèle de développement agricole intégré. *Economies et Sociétés*, Tome IV, No. 2, 1970, pp. 361–78. In this article it is stated '... les économies alimentaires des sociétés industrielles sont à dominante non agricole. En d'autres termes, l'analyse de l'économie alimentaire dans les nations avancées doit se faire en terme de complexe agri-industriel. C'est finalement ce complexe qui contribue à la satisfaction des besoins alimentaires de la nation, et, de toute évidence, l'agriculture n'y joue pas le rôle principal'.
10. A. Simantov, Economic Problems Affecting Agriculture in Europe and Policies called for, *Kyklos*, XIX, 1966, pp. 231–59.
11. V. Giscard d'Estaing, Statement made at the International Conference on 'Economy and Human Society' organized by the French Ministry of National Economy and Finance, Paris, June 1972.
12. See a comprehensive proposal on this subject in *A Future for European Agriculture*, Paris: The Atlantic Institute, 1970, pp. 35–43.
13. D. Gale Johnson, New Directions for Agricultural Policy in the Industrial Countries, *World Agriculture in Disarray*, to be published in the World Economic Issues series of the Trade Policy Research Centre, London.
14. See a discussion of adjustment assistance in general in *Towards an Open World Economy*, London: Trade Policy Research Centre, 1972, pp. 28 and 137–55.
15. See a discussion of direct income support in D. Bergmann, *Le problème agricole, Tome 1^{er} 'Revenus'*, I.N.R.A., Economie et Sociologie Rurales, Paris, 1972.
16. O.E.C.D., *Policy Perspectives for International Trade and Economic Relations*, Report by the High Level Group on Trade and Related Problems, Paris, 1972.

Henri de Farcy, *France*

In his excellent paper, Dr Simantov envisages new policies for agriculture. He devotes a paragraph to problems of the redeployment of farmers outside agriculture.

I wonder, however, if this problem is not a capital one, and should not be treated much more fully. In 1963 in France one million young men and women from 13 to 20 years of age made a living from farming. In 1970, seven years later, they are 20 to 27 years of age. But only 500,000 remain in farming and 500,000 have left. Many of these have left in most unsatisfactory circumstances. It could almost be said that of all the 'products' which leave the farm, man is often the least well 'prepared' to meet the demands of modern society.

It is said that these problems of redeployment are the concern of other sectors. They are not the concern of agriculture nor of agricultural policy. But seventy years ago, many competent people were saying 'farmers have only to concern themselves with producing. They should not concern themselves with selling their products.' In fact, they have also had to concern themselves with marketing, distribution and the processing of their products, for these activities were being badly done.

I ask Dr Simantov, therefore, whether the redeployment of farmers is really being accomplished satisfactorily. And if this is not the case, how agricultural bodies and agricultural policy could concern themselves with the way in which—if you will forgive the expression—farmers could better be placed on the 'work market' so that their redeployment would guarantee the full usage of their faculties?

M. Bueno, *Spain*

I am surprised at the emphasis given to Dr Simantov to the important role of the agro-business complex in the possible policy framework for the 1980s, in the industrialized countries. According to the last investigation, it seems that agro-business, at least on the U.S.A. patterns, have not achieved the goals that were expected—no lower prices, no better quality of food, no better work conditions for labourers, no better environment, and so on.

My question is, when you are talking about 'agro-business complex', are you thinking of U.S. style agro-business, or is it a new type of agro-business, and in any case, do you think that agro-business can be the most important pattern of Agriculture in industrialized countries? Thank you very much.

Alberto Severo, *Brazil*

You spoke about production potential of industrialized nations, in the field of agriculture does it also take the human factor into account?

Even the young people are no longer tempted by the hard labour

represented by agriculture. In contrast the attraction of the city, the higher degree of civilization and culture, existing in the cities, the well being, the leisure activities provided by the cities, are very attractive, when compared with the harsh, arduous, and not very profitable life on the farm. Therefore, I wonder whether we have weighed this fully when considering the productivity potential in agriculture in industrialized countries.

Nils Westermarck, *Finland*

I have two points in my mind. First, I wish to stress that support systems in agriculture in the industrialized countries seem to have developed in such a direction that price support proper is no longer the only method of support for the benefit of farm people. In support systems nowadays besides price support there are social security matters such as old age pensions, supports to speed up the shift of population assistance to the farm family for vacations, etc.

Looking into the future I consider that items of this nature will grow in importance because the ultimate goal ought to be promotion of the well-being of farm people not only their level of income.

My second comment concerns the statement that we should speak of food policy instead of agricultural policy due to the integrating forces in the modern society. I agree with the thoughts of Dr Simantov, but I should like to proceed a step further. Owing to the fact that a progressive farmer at present and still more in the future is not only a producer of food and fibre, but also performs a lot of off-farm jobs and duties in the rural society and consequently receives an increasing share of income outside the farm unit, it will be more and more relevant to consider measures benefiting farm people in terms of rural community policy measures. Therefore, I personally would favour substituting the expression 'agricultural policy' by 'rural community policy'.

Don Paarlberg, *U.S.A.*

Dr Simantov, obviously considers that the present situation of strong prices for agricultural produce—a world-wide phenomenon—is a temporary situation and, indeed, there is much to confirm that view.

That view has proved to be correct several times. Most of us remember, after World War II, there was a time when we thought that agricultural prices were going to be high, and supplies scarce, for the foreseeable future, due to the population increase. That proved not to be so, they again became low in price, and abundant. Then in the mid-sixties, there came another experience, people thought this was the new era, but again it proved not to be so, and farm commodities became abundant and low in price.

Now again, there are high prices, and Dr Simantov's view is that this is

a temporary situation. This is a widespread view. However, there is in the United States—and I expect also in other countries—a number of people who have a different view.

They have a view that there has been a fundamental change in the demand for agricultural products, due to growing affluence in the world, the desire of people for a better diet—which demands more feed grains, more protein—and that calls for additional resources in agriculture. There are some people who think that we have embarked on a new era and that agricultural products will be relatively scarce and high in price and that we shall need to keep all agricultural resources in use. I have reservations about this view but it is a relatively widespread one.

There is yet another view and that is that the high prices we are now experiencing are not so much the result of scarcity of supplies due to the short crop in 1972 in many countries of the world as the result of a monetary phenomenon—world-wide inflation—arising from a number of factors—lack of faith in paper currencies, devaluation of the dollar, the desire to invest in real estate or in gold or in things of a physical nature. Hence the explanation of the price situation is to be found on the demand side more than on the supply side. Either way they bear on the policies we pursue. We agricultural people look to supply changes for explanations of prices, that is our training, and our nature and we believe this is a rather good way to approach the question because, at least in many countries most of the time, the monetary situation is relatively stable and the general level of prices is reasonably stable but there are times when this is not true. I think that during the 1930s it was not true. At that time most of us made a diagnosis of agricultural prices on the basis of supply. We saw that prices were low, we reasoned that this was because agricultural supplies were excessive and we undertook agricultural policies to restrict supply. By hindsight I think that proves to have been in error. Looking back we can see that there was nothing drastic that happened to supply during that period. I believe our policies then will be judged inappropriate in the courts of history.

Now we are in a situation in which prices are rising and we say that agricultural products are scarce and we may launch agricultural policies keyed to an undue increase in supply when in fact the explanation lies on the monetary not on the supply side.

D. K. Britton, *U.K.*

Dr Simantov's comprehensive review of the features of agricultural policy carries with it certain implications which are not brought out into prominence. One of these, I would suggest, is that in future there will inevitably be some restriction on the freedom of action of individual farmers. I would like to illustrate this by reference to man-power recruitment and to the integration of agriculture and the food industries.

Dr Simantov has emphasized that the question of how many people

should move out of agriculture and how many should stay (or be recruited in future) is one which must concern governments. Does this not mean that in future we shall see some kind of manpower budget and some measure of government restrictions on the decisions which individuals may make in this regard?

Secondly, if in future agriculture is to lose its identity and become merged with the food sector, this seems to suggest that farmers will, to a great extent, be deprived of the power of decision about what to produce and on what terms they will sell; they will become agents rather than independent decision-makers. The significance of the 'farm gate' as the place where the farmer negotiates with the rest of the economy would then disappear. Decisions as to the quantity, timing and selection of products would be taken at some point far removed from the individual farmer.

I would like to ask Dr Simantov whether these are indeed among the implications of his analysis.

V. Herer, Poland

While listening with interest to Dr Simantov's paper, I formed the impression that the author assumes as a starting point the occurrence in highly developed West European countries of a predominating trend towards the wide margins of supply over demand of agricultural products with surpluses difficult to dispose of, will continue in the future. It would be useful to consider whether the rapid changes which have recently occurred in the world market of basic agricultural products do not indicate a frail basis for these evaluations, as well as a great weakness in our prognoses so far.

We should try to answer the question, to what degree are the changes observed in the last year are of a transient nature. I think we cannot exclude their being of a permanent nature, in which case agricultural policy of highly developed countries of Europe and of America would have to undergo radical changes.

While seeking an answer to this question we have to state one firm fact, namely, that the past year allowed us to realize the danger of a great dependence of Europe's food supply on the import of fodder protein from overseas countries. The shortage of fodder protein is not a shortage of a single agricultural product, it is much more important. Therefore, the question should be asked if this fact, in connection with the evident acute shortage of beef, does not indicate that the total agricultural balance of highly developed West European countries is not a surplus balance. There also arises the question whether the achieved equilibrium, or surpluses, in such products as pork and poultry meat—the production of which is achieved to a large extent by use of industrial feeding stuffs—is not apparent rather than real.

Santiago I. Friedman, *Chile/Mexico*

I would like to put forward some considerations related to the development of the less-developed countries (LDC) that bear upon the choice of agricultural policies in the more developed nations (MDC)

Assumptions: (a) We shall be more confident that world peace will prevail and therefore in every country there will be a greater willingness to rely on foreign trade. (b) A greater awareness of global interdependence will bring about an increased attention to the needs of the LDCs when developed countries formulate their policies. (c) Price relationships and techniques in the MDCs will be such that agricultural activities will not be able to provide income at a level corresponding to the standards in the MDCs.

Facts: (a) Agriculture is a small sector in the economy of the MDCs: and the personal needs of the people currently engaged in it can be taken care of with resources from, and activities in, other sectors. In other words, *people* currently engaged in agriculture in the MDCs can be protected, while at the same time local agriculture is not protected. (b) Agriculture engages a large fraction of the population in the LDCs and the needs of these people in the foreseeable future will have to be provided, to a large extent, through the expansion of agricultural and related activities in the LDCs at a rate greater than the rate of expansion of global demand for agricultural products. If the desirable rate of expansion of the agricultural sector in the LDCs is achieved, its expected contribution to the alleviation of misery will be materialized only if room is made for its output in the markets of the MDCs.

Conclusion: In designing their policies, the developed countries should adjust the size of their local agricultural and agro-industrial sectors to provide a market for the increased supply resulting from the growth of these sectors in the LDCs.

G. Barbero, *Italy*

I would like to refer to two somewhat peripheral points. One concerns the concept of production potential. I am dissatisfied with the way we are using it. We keep speaking of production capacity or production potential in excess of market demand, yet we know that, to take Europe as an example, this is true for a number of products but it is not true for all products. So that, in fact, this excess is consistent with less than 100 per cent self-sufficiency. So, inevitably, statements of this sort require additional information, because they must be referred to a certain farm structure, to a certain agricultural system, to certain price levels, to certain price ratios, to availability of material inputs, etc.

I am thinking of the European situation, because, if Europe has excess capacity in certain sectors it is because agricultural policies have followed a line of least resistance by encouraging, through price support, subsidies, credit facilities, etc., production pattern that already existed. I am thinking

of milk production encouraged rather than having resources diverted to the production of needed commodities. And I am thinking of the fact that while there is a shortage and high prices of meat livestock numbers in some countries are declining.

My last point is, quite apart from this, in your paper there is a reference to the fact that developing countries must somehow follow the steps that the developed countries have followed. I think that there is a certain amount of truth in this but much more imagination is needed in shaping agricultural policies for developing countries that do not merely copy with a certain time-lag the steps followed by the developed countries.

Åke Anderson, Sweden

It would be very easy to illustrate the different statements and the analysis in this paper with examples from Sweden and the other Scandinavian countries, but I will stress just one point.

Political constraints make policies constantly run behind developments instead of preceding them. The solutions of these very big problems were formulated in the paper as follows: the policies to be set should be self-adjusting to meet the changing economic and social conditions. Could Dr Simantov give any example which illustrates this policy? It is a very interesting statement but it is much easier to say than to produce such a policy. There must be many political difficulties to be overcome.

Dr Simantov (in reply)

It is rather difficult to reply to the question whether the present situation is temporary or the beginning of a new supply situation and it is difficult to support one opinion or the other by analysis. But whatever the price situation, be it temporary or permanent, the fact remains that the present agricultural policies no longer meet the needs of the agricultural population. In most of the developing countries, three-quarters of the products on the market come from farms exploited to the full. There are even developed countries where 50 per cent of the production comes from 1 per cent of the farms. You see the imbalance existing even within agriculture, so even if the present price situation indicates a fundamental change in the supply situation it would no longer be necessary to restrict or control production, but if it is necessary to promote it, the growth of production will occur only in the large farms and small farms will always have insufficient income.

So the changes of agricultural policies, as I suggest them, holds true whatever is the situation in the market. Obviously it will be a little bit easier if the prospects are better. Therefore it is essential to encourage politicians who formulate agricultural policies to do so now and to think about them. I think we should take advantage of the present situation, even if it is only temporary, in order to adjust internal policies to the needs

of individuals and not of the sectors and, on an international level, to defend the concept of growth of agricultural production, to harmonize production and storage policies, and this would be easier if demand were increasing.

I think that the analysis I made in my paper would not be changed whether the supply and demand situation is temporary or permanent. The fundamental elements of agricultural policies are to meet the needs of individuals. We should leave aside the notion of sectors and we should take into consideration mainly the needs of individuals.

Obviously it is very difficult to say how to calculate production potential but I think the basis must be the present price level which is fixed politically and very difficult to change. Obviously, to leave aside political price policies and give the market free play would give rise to very different concepts. With the political constraints existing at the moment I think that most of the developed countries have a very high production potential whether for fruits and vegetables, dairy products or grains.

I think that Dr Anderson raised a point about policies that should be more flexible and should be self-adjusting. We could give a Swedish example. When the Swedish authorities introduced the system of internal rationalization of farms about twenty years ago they were thinking of 10–20 hectare farms, now all new farms are 100 or 200 hectares. There are other flexibility elements we could use. When new farms are created one can think of creating them for four families and not only for one family; and they can be changed to three-family, two-family or one-family farms without changing the physical structure of the farm itself. There are many examples of this sort.

Another flexibility element is the one mentioned in my paper about the establishment of the agricultural prices. If these could be discussed jointly by farmers, industrialists, consumers, marketing men and if they were able to establish prices at the level that covers the production costs of farms who supply 60 to 75 per cent of the production, already this is a very flexible element. In many countries it is estimated that the prices should cover the production costs of a 5-, or a 10- or a 20-hectare farm. Once this notion is introduced it is very difficult to eliminate it. But if we have to cover the production cost of farms that cover 80 per cent of the production sold on a market this would make it much easier. I confess the problem is very difficult and it cannot be easily solved.

In relation to agro-business, I agree on the pointers from U.S. experience. Unfortunately I did not employ it in the right sense. It does not mean an industry that includes agricultural activities. I used it more in a sense of an agro-food complex, not as an industry, but the whole complex of agriculture and food which is becoming closer related and it is very difficult to define where the activity of the farmer stops and that of the industrialist starts. That's why we should introduce a concept not of agro-business but of agriculture and food taken as one.

As regards the comments made by Fr de Farcy, Professor Britton and others, it is a fact that agricultural population will decrease rapidly. I

believe that agricultural organizations should be concerned with what their children will do, or let us say, those children who were born on a farm and that will not become, or do not intend to become, farmers. Each head of a family should solve this problem in his own way but I think this should be a function of agriculture or of agricultural organizations. Farmers' children should have a similar education to that given to children of other sectors.

Professor Westermarck asked the question and I agree with him that we should adopt the concept of social growth more than that of economic growth. I think that if agricultural policies are amended or changed in the sense I suggested in my paper we could promote the social integration of all the inhabitants of the nation.